

**BANK INDONESIA REGULATION
NUMBER 2/16/PBI/2000**

CONCERNING

**AMENDMENT TO DECREE OF THE BOARD OF MANAGING
DIRECTORS OF BANK INDONESIA NUMBER 31/177/KEP/DIR
DATED DECEMBER 31, 1998 CONCERNING THE LEGAL
LENDING LIMIT FOR COMMERCIAL BANKS**

THE GOVERNOR OF BANK INDONESIA,

Considering:

- a. whereas for the recovery of the national economy, the corporate restructuring program currently under way needs additional support to achieve the desired objectives;
- b. whereas the corporate restructuring and debt restructuring undertaken by the banking system and the official agency has run into several impediments, among others the provisions concerning lending in excess of the legal lending limit;
- c. whereas the lending in excess of the legal lending limit experienced by banks has largely resulted from the increase in foreign exchange rates and reduction in bank capital;
- d. whereas to promote the corporate restructuring program, it is necessary to introduce adjustments to the provisions concerning the deadline for settlement of lending in excess of the legal lending limit for commercial banks;
- e. now therefore it is deemed necessary to enact an Amendment to Decree of the Board of Managing Directors of Bank Indonesia Number 31/177/KEP/DIR dated December...

dated December 31, 1998, concerning the Legal Lending Limit for Commercial Banks in a Bank Indonesia Regulation;

In view of:

1. Act Number 7 of 1992 concerning Banking (State Gazette Number 31 of 1992, Supplement to the State Gazette Number 3472) as amended by Act Number 10 of 1998 (State Gazette Number 182 of 1998, Supplement to the State Gazette Number 3790);
2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette Number 66 of 1999, Supplement to the State Gazette Number 3843);
3. Decree of the Board of Managing Directors of Bank Indonesia Number 31/177/KEP/DIR dated December 31, 1998, concerning the Legal Lending Limit for Commercial Banks;

HAS DECREED:

To enact:

**THE BANK INDONESIA REGULATION CONCERNING
AMENDMENT TO DECREE OF THE BOARD OF
MANAGING DIRECTORS OF BANK INDONESIA
NUMBER 31/177/KEP/DIR DATED DECEMBER 31, 1998
CONCERNING THE LEGAL LENDING LIMIT FOR
COMMERCIAL BANKS**

Article I

A number of provisions in Decree of the Board of Managing Directors of Bank Indonesia Number 31/177/KEP/DIR dated December 31, 1998 concerning the Legal Lending Limit for Commercial Banks are hereby amended to read as follows:

1. The provisions ...

1. The provisions of Article 15 paragraph (3) are amended so that Article 15 paragraph (3) in its entirety reads as follows:

“Article 15

- (3) The timeframe for settlement as referred to in paragraph (2) is stipulated as follows:
 - a. for Violation of the LLL, not later than 1 (one) month after approval of the action plan by Bank Indonesia;
 - b. for each Lending in Excess of the LLL as referred to in Article 4 paragraph (1), to be arranged as follows:
 - i) for Lending in Excess of the LLL that occurred prior to and until the issuance of this Bank Indonesia Regulation, not later than May 31, 2000;
 - ii) for Lending in Excess of the LLL that occurs after the issuance of this Bank Indonesia Regulation, not later than 9 (nine) months after the approval of the action plan by Bank Indonesia, or the deadline of May 31, 2000, whichever is later.”
2. New provisions are hereby inserted between Article 15 and Article 16, comprising Article 15A and Article 15B, which read as follows:

“Article 15A

In the particular case of credit restructured by the official agency, the timeframe for settlement of Lending in Excess of the LLL as referred to in Article 15 paragraph (3) is stipulated at not later than 9 (nine) months after the approval of the action plan by Bank Indonesia or the deadline of December 31, 2002, whichever is later .

Article 15B

- (1) Settlement of Lending in Excess of the LLL may take place by issuance of a guarantee from IBRA to the Bank.
- (2) Any guarantee provided by IBRA as referred to in paragraph (1) shall comply with the following requirements:
 - a. irrevocable;

b. may be ...

- b. may be encashed not later than 7 (seven) days after filing of claim;
- c. the term of the guarantee shall be at least equal to the timeframe for settlement of Lending in Excess of the LLL; and
- d. the value of the guarantee is at least equal to the existing Lending in Excess of the LLL.”

Article II

This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta,
Date: June 12, 2000

THE GOVERNOR OF BANK INDONESIA

SYAHRIL SABIRIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 90 OF 2000
DPNP

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 2/16/PBI/2000

CONCERNING

AMENDMENT TO DECREE OF THE BOARD OF MANAGING
DIRECTORS NUMBER 31/177/KEP/DIR DATED DECEMBER 31,
1998, CONCERNING THE LEGAL LENDING LIMIT FOR
COMMERCIAL BANKS

I. GENERAL REVIEW

The program for national economic recovery commenced with the adoption of several measures for national bank restructuring, among others the measures instituted through the government guarantee program, the bank recapitalization program, and the restructuring of bank credit. A subsequent measure undertaken for the program for national economic recovery is corporate restructuring. The corporate restructuring program is closely tied with the ongoing efforts to strengthen the assets of the banking system through the debt restructuring program.

In implementation, the debt restructuring and corporate restructuring programs undertaken to date have experienced a series of impediments, one of which is a provision related to prudential banking management.

Concerning this difficulty, and taking into account that debt restructuring and corporate restructuring will in turn strengthen the assets of the banking system and stimulate activity in the real sector, it is necessary to introduce temporary amendments to prudential regulations, in particular concerning an extension of the deadline for settlement of Lending in Excess of the Legal Lending Limit.

The deadline ...

The deadline for settlement of Lending in Excess of the Legal Lending Limit has been extended in view of the fact that during the economic crisis, this lending in excess of the limit has been brought about by rising foreign exchange rates and diminishing Bank capital, as well as to provide support for the corporate restructuring carried out by the official agencies, i.e., the Jakarta Initiative and the Bank Indonesia Task Force on Debt Restructuring.

In addition to the temporary changes to prudential regulations, the Indonesian Bank Restructuring Agency may assist in resolving problems with Lending in Excess of the bank Legal Lending Limit through the issuance of guarantees by the Indonesian Bank Restructuring Agency.

II. ARTICLE BY ARTICLE

Article I

Number 1

Article 15

Paragraph (3)

Letter a and letter b

Self-explanatory

Number 2

Article 15A

Official agencies are defined as the Jakarta Initiative and the Bank Indonesia Task Force on Debt Restructuring.

Paragraph (2)

Letter a

Irrevocable is defined as a guarantee with the condition that it may not be amended and/or revoked or cancelled without the approval of the Bank and IBRA.

Letter b

Letter b

A claim shall be submitted in the event that Lending in Excess of the LLL has not been settled within the timeframe for settlement of Lending in Excess of the LLL according to the existing schedule for loan installments.

Letter c

Self-explanatory

Letter d

The value of a guarantee as referred to in this paragraph shall be increased in the event of an increase in the amount of Lending in Excess of the LLL.

Article II

Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 3973

DPNP

